

Message Text

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ACTION EB-07

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SUBJECT: BOLIVIAN TIN SMELTING CAPACITY AND ORE
CONCENTRATE EXPORTS

REF: STATE 250533

SUMMARY. PROJECTIONS BY COMIBOL REP ZILVETI APPEAR TO BE AT LEAST PARTLY INCORRECT. BOLIVIAN PRODUCTION OF TIN ORE CONCENTRATE LIKELY TO BE SOMEWHAT ABOVE TIN SMELTING CAPACITY UNTIL 1978, BUT AFTER 1978 CONCENTRATES AVAILABLE ONLY IN GREATLY REDUCED AMOUNTS. BOLIVIA MAY BE IN POSITION AFTER 1978 TO EXPORT SMALL AMOUNT OF CONCENTRATES BUT QUANTITY WILL VARY AND MUCH WILL DEPEND ON WORLD PRICES AND BOLIVIA'S ABILITY TO INCREASE OVERALL PRODUCTION OF TIN CONCENTRATES. BOLIVIA IS AIMING FOR LONG RUN POLICY OF 100 PERCENT SMELTING OF DOMESTICALLY PRODUCED TIN BUT FOR A VARIETY OF REASONS THAT DATE IS PUSHED INTO FUTURE. EMBASSY SUGGESTS THAT GULF CHEMICAL MAY WISH SEND REPRESENTATIVE TO BOLIVIA TO DISCUSS FIRST HAND WITH GOB OFFICIALS BOLIVIA'S FUTURE TIN CONCENTRATE EXPORT PLANS. END SUMMARY.

1. ENAF, BOLIVIA'S STATE SMELTING AND REFINING COMPANY, IS NOW COMPLETING FIRST STAGE TIN SMELTING EXPANSION PROJECT WHICH WILL INCREASE BOLIVIA'S SMELTING CAPACITY FROM PRESENT
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7,000 MT PER YEAR TO ABOUT 11,000 MT. INSTALLATION OF 26-

TON ROTARY OVEN SHOULD BE COMPLETED DECEMBER, 1975 AT VINTO, NEAR ORURO. SECOND STAGE ENAF EXPANSION WILL INCREASE HIGH GRADE CONCENTRATE SMELTING CAPACITY FROM 11,000 TO ABOUT 20,000 MT PER YEAR. THIS STAGE PLANNED FOR COMPLETION IN JANUARY, 1978, BUT IS LIKELY TO SLIP FROM THAT DATE TO LATER IN YEAR. CURRENT PLANS CALL FOR THIRD STAGE TO BE INSTALLED SHORTLY AFTER SECOND STAGE OR LATE IN 1978. THIS PHASE UTILIZES A 10,000-TON CAPACITY LOW GRADE TIN SMELTER TO TREAT OUTPUT FROM COMIBOL VOLATILIZATION PLANT. THIS DATE ALSO LIKELY TO SLIP SOMEWHAT. (PRIVATE SMELTING OF TIN IS ONLY ABOUT 200 MT PER YEAR.) MINMINES AND DIRECTOR OF ENAF WILL GO TO WEST GERMANY ON OCTOBER 28 TO SIGN CREDIT CONTRACT FOR US\$16 MILLION TO FINANCE SECOND STAGE ENAF EXPANSION AND WE UNDERSTAND THIRD-STAGE FINANCING BY WEST GERMANY ALSO REASONABLY WELL ASSURED.

2. IN AN EFFORT TO INCREASE PERCENTAGE OF TIN RECOVERED, COMIBOL IS NOW INSTALLING A TIN VOLATIZATION PLANT IN LA PALCA, NEAR POTOSI, WHICH SHOULD COME ON STREAM IN MID-1977. IT ALSO HAS PLANS FOR THREE MORE VOLATILIZATION PLANTS. ENAF WILL INSTALL NEW PLANTS TO SMELT VOLATIZZTION PLANT OUTPUT AS THEY COME ON STREAM. (LOW GRADE TIN SMELTER NEEDED BECAUSE OF HIGH CONTENT IMPURITIES.) IN ADDITION, COMIBOL ADDED TO ITS PRE-CONCENTRATION CAPACITY BY RECENTLY INAUGURATING NEW PLANT AT PAILAVIRI (1,500) MT PER DAY). ORE PASSES FROM PRECONCENTRATION TO VOLATILIZATION PLANTS AND FINALLY TO NEW ENAF SMELTER. VOLATILIZATION PLANTS RAISE RECOVERY RATE AND CONCENTRATE ORES TO ABOUT 60 PERCENT BUT WITH HIGH IMPURITY AND ALSO APPARENTLY ALLOW BETTER RECOVERY OF SECONDARY MINERALS. THUS, TIN PRODUCTION SHOULD BE INCREASED SOMEWHAT BY NEW COMIBOL PLANTS.

3. BOLIVIAN PRODUCTION OF TIN CONCENTRATES IS ABOUT 30,000 MT CONTAINED TIN PER YEAR, OF WHICH ABOUT 7,000 MT TIN METAL AND ABOUT 21-22,000 MT CONCENTRATES EXPORTED AND REMAINDER BEING STORED BECAUSE OF ITC QUOTAS (SEE A-97 OF JULY 7, 1975). ASSUMING CURRENT PRODUCTION LEVELS AND ENAF SMELTING EXPANSION PLANS, BOLIVIA WILL HAVE ABOUT 19,000 MT CONTAINED TIN CONCENTRATES PER YEAR AVAILABLE FOR EXPORT UNTIL 1979.

4. AFTER 1979 AMOUNT OF CONCENTRATE AVAILABLE FOR EXPORT LIMITED OFFICIAL USE

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BEYOND PLANNED SMELTER EXPANSION DEPENDS ON AMOUNT AND SUCCESS NEW EXPLORATION AND RESERVE-PROVING DRILLING ACTIVITY AND ON BOLIVIAN EFFORTS TO INCREASE EFFICIENCY OF TIN-ORE PROCESSING. COMIBOL BELIEVES IT CAN INCREASE TIN ORE PRODUCTION TO ABOUT 28,000 MT BY 1981 COMPARED TO CURRENT PRODUCTION ABOUT 22,000 MT. IT PLANS DRILLING AND EXPLORATION ACTIVITY AT HUANUNI. NEW EXPLORATION ADIT 2,150 METERS LONG AT CARACOL CUT 16 STRUCTURES OF COMMERCIAL QUALITY TIN AND NEW ADIT OF 1,450

METERS UNDER CONSTRUCTION.

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5. FUTURE PROGNOSIS FOR TIN CONCENTRATE PRODUCTION IN PRIVATE SECTOR, BARRING DRAMATIC NEW FIND, IS 2 PERCENT TO 5 PERCENT INCREASE IF PRICE IS FAVORABLE. MEDIUM MINERS PRODUCE ABOUT 22 PERCENT OF TOTAL TIN (6,533 MT IN 1974). LARGEST PRIVATE PRODUCER, ESTELSA, EXPECTS ITS DREDGING OPERATION TO DECREASE PRODUCTION ABOUT 30 PERCENT AFTER 1975; HOWEVER, OTHER MEDIUM MINERS ARE EXPECTED TO INCREASE PRODUCTION. SMALL MINERS COULD ALSO INCREASE PRODUCTION BY ABOUT 5 PERCENT SINCE IBRD HAS PROJECTS FOR SMALL MINE INVENTORY AND CREDIT TO THIS SECTOR (2,913 MT IN 1974).

6. FURTHER, EMBASSY UNDERSTANDS NEW MINING CODE IS IN PREPARATION AT MINISTRY OF MINES WHICH WILL ENCOURAGE PARTICIPATION FOREIGN PRIVATE CAPITAL IN MINING OPERATIONS. THIS ALSO COULD STIMULATE SOME INCREASED TIN CONCENTRATE PRODUCTION IN FUTURE.

7. THEREFORE, EMBASSY'S BEST ESTIMATE IS THAT IF PRICE OF TIN IS AT A LEVEL PERMITTING ADEQUATE INVESTMENT AND EXPLOITATION (CONSIDERED BY BOLIVIANS TO BE BETWEEN \$3.20 AND \$3.50 PER POUND), TIN CONCENTRATES PRODUCTION SHOULD SHOW A SLOW, STEADY INCREASE IN FUTURE. IN THAT EVENT, BASED ON ABOVE OPTIMISTIC PROJECTIONS FOR PRIVATE SECTOR AND FOR COMIBOL, BOLIVIAN TIN PRODUCTION SHOULD BE 3-4,000 MT ABOVE SMELTING CAPACITY IN 1979. HOWEVER, COMIBOL VOLATILIZATION PLANTS 2, 3 AND 4

WILL THEN BE NEARING COMPLETION AND ENAF WILL EXPAND ITS
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SMELTING CAPACITY TO HANDLE TIN POWDER FROM THESE PLANTS.
BOLIVIAN GOAL IS TO EVENTUALLY REACH 100 PERCENT SMELTING OF TIN
PRODUCTION.

8. IT WOULD APPEAR, THEREFORE, THAT WHILE BOLIVIAN TIN CON-
CENTRATES WILL BE AVAILABLE UNTIL 1979, IF BOLIVIA'S
SMELTING EXPANSION PLANS ARE ACHIEVED, THE COUNTRY WILL NOT
BE ABLE TO SUPPLY FOREIGN SMELTERS (HIGH GRADE TO U.S. AND
LOW GRADE TO UK AND GERMANY) EXCEPT IN GREATLY REDUCED AMOUNTS,
IF AT ALL. MOREOVER, IT IS NOT CLEAR WHETHER BOLIVIA WILL BE
ALLOWED TO INCREASE ITS MARKET SHARE UNDER THE ITC AGREEMENT,
WHICH IT WOULD HAVE TO DO TO MEET THE ABOVE-MENTIONED PRODUC-
TION GOALS. TIN DEMAND HAS BEEN GROWING AT A SLOW BUT STEADY
PACE OF ABOUT 2 PERCENT PER YEAR.

9. BOLIVIA UNDERSTANDABLY IS SEEKING TO INCREASE ITS VALUE
ADDED IN MINERALS SECTOR TO EARN MORE FOREIGN EXCHANGE AND
CREATE EMPLOYMENT. ENAF'S ULTIMATE GOAL IS TO SMELT 100 PERCENT
OF BOLIVIAN TIN PRODUCTION. HOWEVER, THERE ARE FINANCIAL AND
TECHNICAL REASONS WHY BOLIVIA WILL NOT BE ABLE TO SMELT AND
REFINE 100 PERCENT OF ITS TIN ORE PRODUCTION FOR FEW YEARS TO
COME, BUT GOB HAS CLEAR INTENTION TO REACH 100 PERCENT GOAL
AS QUICKLY AS POSSIBLE.

10. EMBASSY WOULD LIKE TO KNOW WHAT TYPE OF LONG-TERM CONTRACT
GULF CHEMICAL HAS WITH BOLIVIA, IF ANY. WE ALSO SUGGEST THAT
GULF CHEMICAL REPRESENTATIVE MAY WISH TO VISIT BOLIVIA TO
DISCUSS THE SITUATION FIRST HAND WITH BOLIVIAN OFFICIALS.
HOWEVER, EMBASSY UNDERSTANDS GULF CHEMICAL METALLURGIST VISITED
ENAF SMELTING COMPLEX AT VINTO-ORURO ABOUT SIX MONTHS AGO
APPARENTLY TO PROVIDE TECHNICAL ASSISTANCE, SO GULF SHOULD
HAVE SOME IDEA OF BOLIVIAN SITUATION.
STEDMAN

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